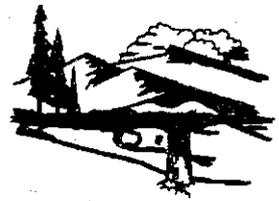




Department of Environmental Quality



To protect, conserve and enhance the quality of Wyoming's environment for the benefit of current and future generations.

Dave Freudenthal, Governor

John Corra, Director

CERTIFIED MAIL

July 19, 2007

**Mr. Michael Clark
Petrox Resources, Inc.
39868 Highway 13
Meeker, Colorado 81641**

RE: Notice of Violation, Docket Number 4024-07

Dear Mr. Clark:

Enclosed is a copy of Notice of Violation, Docket Number 4024-07, for the unauthorized discharge of coal bed methane (CBM) produced water into waters of the state by Petrox Resources, Inc. (Petrox) in Wyoming. The unauthorized discharges, as reported by the Bureau of Land Management (BLM), occurred on May 9, 2007. A subsequent follow up inspection by Department of Environmental Quality/Water Quality Division personnel accompanied with a contract employee of Petrox on June 4, 2007 determined Petrox had discharged CBM produced water into waters of the State. These are violations of the Wyoming Environmental Quality Act (Act), the Wyoming Water Quality Rules and Regulations (WWQRR), and applicable permit conditions associated with WYPDES permits WY0051187 and WY0051195.

While neither the attached Notice of Violation nor this letter constitutes an order, it is the recommendation of this office that you take action to eliminate the alleged violations as follows:

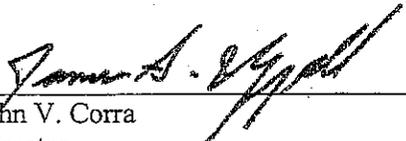
1. Petrox should maintain compliance with all conditions established in applicable WYPDES permits.
2. Petrox should totally contain all produced water in containment units to prevent produced water from reaching waters of the state unless authorized to do so by a permit. Petrox should inform the Water Quality Division (WQD) in writing of the steps taken to eliminate unauthorized releases. This information should be received by the WQD on or before August 20, 2007.

Herschler Building • 122 West 25th Street • Cheyenne, WY 82002 • <http://deq.state.wy.us>

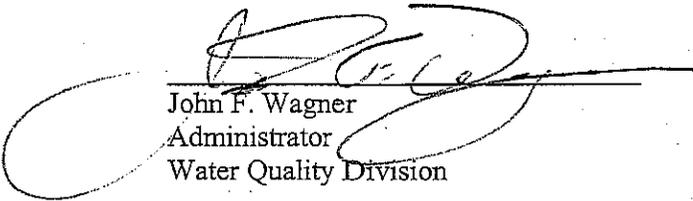
ADMIN/OUTREACH (307) 777-7937 FAX 777-3610	ABANDONED MINES (307) 777-6145 FAX 777-6462	AIR QUALITY (307) 777-7391 FAX 777-5616	INDUSTRIAL SITING (307) 777-7369 FAX 777-5973	LAND QUALITY (307) 777-7756 FAX 777-5864	SOLID & HAZ. WASTE (307) 777-7752 FAX 777-5973	WATER QUALITY (307) 777-7781 FAX 777-5973
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The WQD has the authority to resolve violations with an out-of-court settlement agreement through the payment of a penalty by Petrox. If Petrox wishes to pursue resolution of the previously noted violations through such an agreement, please contact Mr. Kevin M. Wells, WYPDES Compliance & Enforcement Coordinator at (307) 777-8669, or Mr. Brian K. Lovett, WYPDES Inspection & Compliance Supervisor at (307) 777-5630, on or before August 20, 2007 to set up a meeting to discuss this matter.



John V. Corra
Director
Department of Environmental Quality



John F. Wagner
Administrator
Water Quality Division

JVC/JFW/KMW/bb/rm/7-0589

Enclosure: Notice of Violation
5/14/07 Inspection Report

cc: Aaron Urdiales, 8ENF-W-NP, EPA Region 8 (PDF)
James B. Eisenhauer, WYPDES Inspection Coordinator, Sheridan DEQ Office (PDF)
Bill J. DiRienzo ► Brian K. Lovett ► Leah J. Krafft
IPS (for scanning) ► Docket 4024-07
Keith Guille, DEQ Public Information Officer (PDF File Only)
DEQ Director

BEFORE THE
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF WYOMING

IN THE MATTER OF THE NOTICE OF)
VIOLATION ISSUED TO:)

Petrox Resources, Inc.)
39868 Highway 13)
Meeker, Colorado 81641)

DOCKET NUMBER 4024-07

NOTICE OF VIOLATION

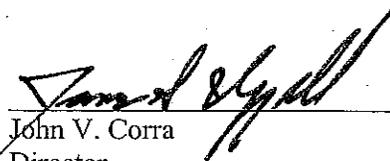
NOTICE IS HEREBY GIVEN THAT:

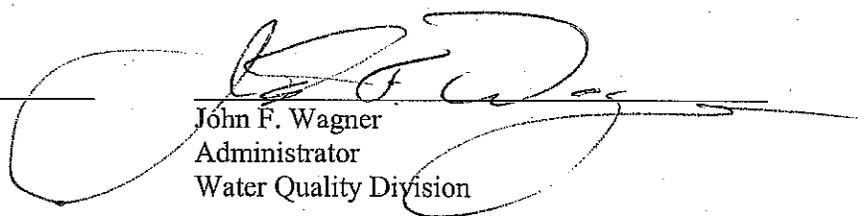
1. Petrox Resources, Inc. (Petrox) operates coal bed methane (CBM) facilities located in the Southeast Quarter of the Northwest Quarter of Section 4 Township 48 North Range 77 West (SENW S4 T48N R77W) and the Northwest Quarter of the Southwest Quarter of Section 7, Township 48 North, Range 77 West (NWSW S7 T48N R77W), all in Johnson County, Wyoming;
2. On May 9, 2007, the Department of Environmental Quality, Water Quality Division (WQD) was informed by the Bureau of Land Management (BLM) that Petrox had released water from two of their full containment reservoirs which receive CBM produced water. One reservoir receives CBM water from outfalls 001 and 006 covered under WYPDES permit number WY0051187 and the other reservoir receives CBM water from outfall 001 under WYPDES permit number WY0051195. Water was being actively discharged via a valved pipe or low-level outlet system from the reservoirs, rather than from natural overtopping from a precipitation event. This resulted in the unauthorized discharge of CBM produced water to other various named on-channel reservoirs (class 3B), located on various unnamed, ephemeral tributaries (class 4B and 4C) of Van Houten Draw and the Powder River (class 2ABWW);
3. Under WYPDES permit WY0051187, Part I.A.1 states, *"Discharges from the reservoirs being utilized to contain CBM produced water as part of the water management plan for this facility are not allowed except in the event stormwater runoff from a precipitation event greater than or equal to a 10 year, 24 hour event (2.0 inches of precipitation) causes the reservoirs to fill and overtop."*
4. CBM produced water is considered "pollution" as defined in W.S. 35-11-103 (c)(i);
5. The discharges referenced above entered "waters of the state" as defined under W.S. 35-11-103 (c)(vi) and were not through permitted discharge points;
6. The Department of Environmental Quality has no record of permits authorizing the discharge to waters of the state from the locations referenced in the cases described above;
7. By discharging pollution into waters of the state, Petrox Energy Inc. is in violation of W.S. 35-11-301 (a)(i) and Chapter 2 of the Wyoming Water Quality Rules and Regulations which state that no person, except when authorized by a permit issued by the Department of Environmental Quality, shall cause, threaten or allow the discharge of any pollution or wastes into the waters of the state;

8. This Notice is being sent to you pursuant to W.S. 35-11-701(c)(i), which requires that in any case of the failure to correct or remedy an alleged violation, the director of the Department of Environmental Quality shall cause a written notice to be issued and served upon the person alleged to be responsible;
9. Pursuant to Wyoming Statute 35-11-901(a), any person who violates, or any director, officer or agent of a corporate permittee who willingly and knowingly authorizes, orders or carries out the violation of any provision of the Environmental Quality Act (Act), or any rule, regulation, standard or permit adopted hereunder or who violates any determination or order of the council pursuant to this act or any rule, regulation, standard, permit, license or variance is subject to a penalty not to exceed ten thousand dollars and no cents (\$10,000.00) for each violation for each day during which the violation continues, a temporary or permanent injunction, or both a penalty and an injunction. The penalty may be recovered in a civil action brought by the Attorney General in the name of the People of the State of Wyoming. Nothing herein shall preclude the department from negotiating stipulated settlements involving the payment of a penalty, implementation of compliance schedules or other settlement conditions, in lieu of litigation.

NOTHING IN THIS NOTICE OF VIOLATION (NOV) shall be interpreted to in any way limit or contravene any other remedy available under the Environmental Quality Act, nor shall this NOV be interpreted as being a condition precedent to any other enforcement action.

Signed this 19th day of July, 2007.


John V. Corra
Director
Department of Environmental Quality


John F. Wagner
Administrator
Water Quality Division

PLEASE DIRECT ALL INQUIRIES TO: Kevin M. Wells, WYPDES Compliance & Enforcement Coordinator at the Wyoming Department of Environmental Quality, Water Quality Division, Herschler Building, 4th Floor West, 122 West 25th Street, Cheyenne, Wyoming 82002. Telephone 307-777-8669.

JVC/JFW/KMW/bb/rm/7-0589

cc: Aaron Urdiales, 8ENF-W-NP, EPA Region 8 (PDF))
James B. Eisenhauer, WYPDES Inspection Coordinator, Sheridan DEQ Office (PDF)
Bill J. DiRienzo ► Brian K. Lovett ► Leah J. Krafft (PDF)
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